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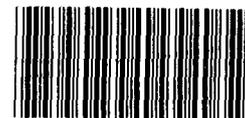
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SOCIAL SECURITY

SSA's Processing of
Continuing Disability Reviews

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SUMMARY

The Social Security Administration's (SSA's) disability programs have experienced growing financial and administrative problems for several years. Applications for disability benefits and SSA's processing times for these claims reached all-time highs in fiscal year 1992. In an effort to keep up with the surge in initial disability claims, SSA has shifted resources away from performing continuing disability reviews (CDRs). CDRs are performed periodically to ensure that persons receiving government disability benefits remain eligible.

Since 1987, SSA has performed about half of the 2.2 million CDRs required by law. By not performing CDRs required in fiscal years 1990 through 1993, according to SSA's Office of the Actuary, the trust funds will lose about \$1.4 billion by the end of 1997 in unnecessary payments to persons who such reviews would identify as having medically recovered from their disabilities. SSA data suggest that at least 30,000 ineligible persons remain on the disability rolls.

In an effort to improve the efficiency and effectiveness of the CDR process, SSA tested the benefits of mailing a questionnaire to beneficiaries on their health status and work history. By combining the responses from the mailer with certain statistical indicators, SSA was able to better identify beneficiaries most likely to have medically improved, and who should be given full medical CDRs. SSA officials are convinced that use of the mailer process will enhance SSA's ability to focus and better utilize its CDR resources while ensuring the integrity of the trust funds.

We support SSA's efforts to make the CDR process more efficient and cost effective, and are encouraged by the results we have seen from the mailer study. As SSA gains experience with the new process, it should continually monitor the results and make adjustments in case-selection criteria to achieve the most effective resource utilization.

Mr. Chairman and Members of the Committee:

Thank you for inviting me to testify today on the status of the Social Security Administration's (SSA's) continuing disability review program. These reviews, called CDRs, are performed periodically to ensure that persons receiving government disability benefits remain eligible. Many of the reviews are required by law and are necessary because the medical conditions of some beneficiaries improve so that they are no longer disabled. CDRs can help ensure that public funds are expended only on those for whom the program was designed and that the program is meeting its goals.

In 1987, we reported that due to budget restrictions, SSA was limiting the number of CDRs being done.¹ You asked that we conduct a follow-up study on this issue.

We remain concerned that SSA has not been performing all the CDRs required by law in recent years. Although SSA is developing ways to better target CDRs in order to make more efficient use of its resources, many individuals who are no longer disabled will continue to receive program benefits for some years to come, unless more CDRs are done. Even in the current high workload and tight resource environment, SSA should continue to examine ways to refine its CDR process and increase reviews beyond the current levels.

GROWTH IN DISABILITY APPLICATIONS IMPACT ON CDRs

State disability determination services (DDSs) make decisions for SSA on whether individuals are entitled to benefits under Social Security's Disability Insurance (DI) and Supplemental Security Income (SSI) programs. The DDSs are responsible for processing initial applications and initial appeals of denial decisions, and for conducting CDRs.

In recent years, SSA has experienced significant program administration problems due to unprecedented increases in applications for benefits under the DI and SSI programs. Initial claims for disability benefits reached an all-time high of 2.4 million in fiscal year 1992, a 50-percent increase over the 1.6 million applications received in fiscal year 1989. Only recently (beginning in fiscal year 1991) have staffing levels at the DDSs increased, after declining from 1986 through 1990.

As a result of these workload pressures, SSA and DDSs are experiencing inordinate delays in processing initial disability

¹Social Security: Effects of Budget Constraints on Disability Program (GAO/HRD-88-2, October 1987)

applications. In the last 3 years, processing times have increased substantially, and some DDSs are taking 5 months to process applications.

As part of numerous initiatives to keep up with the surge in disability claims, SSA has significantly reduced the number of CDRs performed. Many DDS staff who had been working on CDRs have been reassigned to work on initial claims. As a result, SSA has not met the legal requirements for conducting CDRs.

SSA's REQUIREMENT TO CONDUCT CDRs

Although the eligibility requirements for disability benefits under both the DI and SSI programs are quite stringent and require persons to be totally disabled,² some persons do medically improve. Historically, SSA has identified many thousands of beneficiaries each year who have recovered from their medical problems, or who have improved sufficiently to be able to work.

The Social Security Disability Amendments of 1980 require that SSA periodically review the status of all DI beneficiaries to determine their continuing eligibility for benefits. Beneficiaries whose conditions are not thought to be permanent are required to be reviewed at least once every 3 years.

SSA establishes the frequency of reviews based on the beneficiary's medical impairment and age at the time of the last medical determination. SSA regulations establish three medical categories and review schedules: medical improvement expected cases for which reviews are scheduled once every 18 months or less; medical improvement possible cases for which reviews are scheduled once every 3 years; and medical improvement not expected cases where reviews are scheduled about every 7 years. SSA regulations also provide SSA authority to review SSI cases for possible medical improvement, and other cases where SSA has reason to believe that a beneficiary's medical condition may have improved.

LIMITED NUMBERS OF CDRs PERFORMED SINCE 1987

To comply with the legal mandate for the DI program, SSA officials told us it would have to conduct between 300,000 and 500,000 CDRs each year. However, according to SSA data reports, the number of CDRs performed on DI recipients went from 196,000 in fiscal year 1987 to 58,000 in fiscal year 1992. Approximately 15,000 SSI CDRs were done in 1992. For the last 6 fiscal years, the federal

²The Social Security Act defines disability as the inability to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment expected to last at least 12 months or to shortly result in death.

mandate required SSA to conduct about 2.2 million CDRs, while SSA conducted less than 1.1 million, approximately 50 percent of the number of CDRs required. Appendix I shows the number of CDRs in the DI and SSI programs completed in each year beginning in 1987.

SSA's decision to reduce the number of CDRs performed each year continues to cost the trust funds hundreds of millions of dollars. The best information we could find on the overall costs to the funds of not performing the required CDRs came from SSA's Office of the Actuary. That Office estimates that SSA's failure during fiscal years 1990 through 1993 to perform all required CDRs on beneficiaries whose medical conditions could have improved will cause the trust funds to lose about \$1.4 billion through 1997.

Although SSA's administrative costs of conducting these CDRs would have been about \$1.1 billion (about \$1,000 per CDR), these costs would have been offset by an estimated \$2.5 billion in savings to the trust funds through 1997. These estimates of "lost" savings do not include savings that could have resulted from CDRs that were not done prior to 1990. Also, although data were not readily available with which to make similar loss estimates for the SSI program, the impact on that program likely is significant.

CDRS HELP ENSURE PROGRAM INTEGRITY

CDRs contribute not only to program savings, but also to enhanced program integrity by not allowing ineligible beneficiaries to remain on the disability rolls. SSA experience over recent years indicates that CDRs ultimately result in terminated benefits for 5 to 6 percent of beneficiaries for whom medical improvement had been expected or was possible. With a backlog of over 640,000 such cases in the DI program, at least 30,000 ineligible beneficiaries may still be on the DI rolls receiving disability benefits.

SSA HAS IDENTIFIED WAYS TO IMPROVE THE CDR PROCESS

SSA has been studying ways to improve the efficiency and cost effectiveness of the CDR process. Two initiatives, one taken in 1991 and the other now underway, were designed to more effectively target DI recipients for CDRs.

In fiscal year 1991, SSA revised its medical criteria for scheduling CDRs to focus on cases with the greatest probability of cessation. This revision reduced the numbers of beneficiaries for whom medical improvement was thought to be more likely. SSA estimates that this change decreased the number of 3-year CDR cycle cases maturing each year from about 450,000 to about 300,000. SSA hopes that these refined criteria will enable CDRs to be better targeted.

In addition, SSA believes it can better target beneficiaries who may no longer be disabled for full medical CDRs. Beginning late in fiscal year 1991, SSA conducted a 10,000-case pilot study in 25 states to test the feasibility of using a mailer to question beneficiaries on their health status and work history. Responses from the mailer, combined with indicators that are predictors of CDR outcomes (such as the length of time on the disability rolls, date of last CDR, number of CDRs performed, and reported earnings) were used to identify beneficiaries who may no longer be disabled, and who should be given full medical CDRs.

SSA compared the decision reached about the need to perform a full medical CDR based on the mailer process for each beneficiary to actual CDR results made under the existing process. The findings strongly indicate that use of the information from the mailer process could help predict whether disability benefits would ultimately be ceased or continued if a full medical CDR is performed. Further, SSA's study found that the mailer process will cost only a fraction of the cost of performing full CDRs. SSA's plans are to implement the targeting process using mailers and profiles to better target full medical reviews where medical improvement is expected.

As stated earlier, the current CDR program requires SSA to conduct CDRs every 3 years on all cases where medical improvement is either expected or possible. Although the current CDR process is cost effective because it saves more in program dollars than it spends administratively, SSA has put priority on processing initial applications and, thus, has not conducted all required CDRs. SSA planned to conduct 73,000 CDRs (DI and SSI) in fiscal year 1993. However, through the first 5 months, SSA had completed less than 13,500 CDRs.

We support SSA's efforts to make the CDR process more efficient and cost effective, and are encouraged by the results we have seen from the mailer study. As SSA gains experience with the new process, it should continually monitor the results and make adjustments in case-selection criteria to achieve the most effective resource utilization.

We are concerned, however, by the limited number of CDRs budgeted for. As previously mentioned, historical data suggest that at least 30,000 persons may be receiving DI benefits although they have medically improved, and this number may continue to grow. It is possible that a similar number of ineligible beneficiaries are on the SSI rolls. These numbers suggest that both programs will continue to spend money unnecessarily if only 73,000 CDRs are performed yearly.

CDRs are important beyond the dollars involved. The failure to do CDRs means that increasing numbers of persons no longer entitled

to benefits remain on the rolls, and their presence may erode public confidence and support for the program.

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Mr. Chairman, this concludes my statement. I will be happy to answer any questions you or other Committee members may have.

CDRs COMPLETED
(FISCAL YEARS 1987 TO 1992)

| <u>Fiscal Year</u> | <u>DI Program</u> | <u>SSI Program</u> | <u>Total CDRs</u> |
|--------------------|-------------------|--------------------|-------------------|
| 1987 | 195,991 | 14,339 | 210,330 |
| 1988 | 321,246 | 32,573 | 353,819 |
| 1989 | 280,452 | 86,364 | 366,816 |
| 1990 | 155,586 | 39,500 | 195,086 |
| 1991 | 54,638 | 18,830 | 73,468 |
| 1992 | 58,430 | 14,715 | 73,145 |

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